Economic Outlook

Community Development Advisory Council
October 4, 2022

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Vice President and Economist
Outlook themes

• Inflation remains elevated, with low to moderate income households experiencing higher rates of inflation.

• Labor markets are very tight, which has boosted wage growth and supported consumer spending.

• Monetary policy appears to be slowing demand, but with a lag.

• Long-term trends in supply may limit housing and rental price declines.
Inflation remains elevated and broad-based.

Sources: BLS, FRB Cleveland, Haver Analytics
Low-income households are more exposed to food inflation.

**Expenditure Shares**

- **Food at Home**
  - 1st Income Quartile
  - 2nd Income Quartile
  - 3rd Income Quartile
  - 4th Income Quartile

- **Food Away from Home**

**Food Inflation**

- **y/y % chg**
  - 1st Income Quartile
  - 2nd Income Quartile
  - 3rd Income Quartile
  - 4th Income Quartile

Sources: BLS, Staff
More households report difficulty paying for usual household expenses.

Sources: Census Household Pulse Survey
Delinquency rates on consumer debt are near pre-pandemic levels.

Sources: FRBNY CCP/Equifax, Staff
There are twice as many job openings as unemployed workers.

Sources: BLS, Haver Analytics
Labor force participation has not fully recovered.

Index, Feb-20 = 100, sa

Sources: BLS, Haver Analytics
The imbalance in the labor market has caused faster wage growth.

Sources: FRB Atlanta, Haver Analytics
Many contacts report adjusting compensation due to inflation.

Did you adjust employees' compensation due to inflation during this year? If yes, what has your firm implemented?

On average, how much do you intend to change employees' wages for the rest of 2022?
Higher wages have helped sustain consumer spending.

Index, Feb-20 = 100, sa

- Durables
- Services
- Nondurables

% chg

Total
Accommodation and Food Services
General Merchandise

Note: Change is relative to January 4-31, 2020.
Sources: BEA, Affinity Solutions, Opportunity Insights, Haver Analytics
Interest rates have risen following FOMC action to slow inflation.
Consumer sentiment for buying a house has fallen sharply.

Sources: University of Michigan, Federal Home Loan Mortgage Corporation, Zillow, Staff, Haver Analytics
Nearly three weeks of wages are currently needed to pay mortgage.

Hours needed to afford mortgage

<table>
<thead>
<tr>
<th>Hours Worked to Afford Mortgage</th>
<th>U.S.</th>
<th>10J</th>
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<tbody>
<tr>
<td>Monthly Mortgage Payment</td>
<td>2,431</td>
<td>2,023</td>
</tr>
<tr>
<td>Median Home Value</td>
<td>355,852</td>
<td>295,000</td>
</tr>
<tr>
<td>Median Hourly Wage ($ per hour)</td>
<td>22</td>
<td>19</td>
</tr>
</tbody>
</table>

Sources: House Method, Zillow, US Bank, BLS
Home builder sentiment has also dropped, which may limit supply of new homes.

Sources: National Association of Home Builders, Haver Analytics
House price growth and rental rates have slowed but remain high.

Sources: University of Michigan, Federal Home Loan Mortgage Corporation, Zillow, Staff, Haver Analytics